

MEMORANDUM FOR: Mr. *Dumas*

I feel that it might be useful to keep the attached record of the discussion concerning your briefing of the NSC on file. Do you desire any distribution to be given this memorandum?

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17 November 1955
(DATE)

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17 November 1955

MEMORANDUM FOR THE RECORD

SUBJECT: Director's Briefing of the National Security Council
on "The Communist Campaign Against the
Underdeveloped Areas"

1. The Director's briefing of the Council on the Soviet bloc economic penetration of the underdeveloped areas made a strong impact on the members. The Vice President was concerned as to what steps the US was taking now, or could take in the near future to offset the Soviet encroachment in these areas.

2. The Acting Secretary of the Treasury asked whether any overall financial figure could be placed on the Soviet economic activity. The Director pointed out that computing such a figure accurately would be very difficult as some of the negotiations were still in the offer stage. We didn't yet have the facts on the number of these projects that would actually be carried out. In reply to a question from the Vice President, the Director said that the Soviets did have the capability to carry out all the projects if they so desired. The Director and Deputy Secretary of State Hoover agreed that the total amount of the Soviet orbit economic deals with the underdeveloped areas was not large and would probably approximate 300 million dollars. Mr. Hoover suggested, and the Director agreed, that the Director would attempt to furnish the Council with as firm a "price tag" on the Soviet financial transactions as was feasible.

3. The Vice President said that we must earnestly consider what our resources were to match these Soviet tactics. The Director felt that we had the capability in this field if we wanted to use it.

4. The Secretary of Defense cautioned that in giving economic enterprises to other governments we were contributing to the advance of state socialism. We should seek out ways to get small private takers for our "soft" loans to build up foreign economic enterprises in the underdeveloped countries. The workers in such plants might

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be made more aware of the advantages of private enterprise if they were given stock bonuses in them above their wages.

5. The Chairman of the Atomic Energy Commission said that he was faced with the problem of private versus public enterprise in offering atomic installations to other countries. He added that he would like to get the Council's decision on this problem.

6. The Vice President noted that there were no quick answers to all these problems and they required careful study.

7. Mr. Dillon Anderson said that the Planning Board might consider the problem of Soviet economic encroachment into the underdeveloped countries and devise a US counter program. Two papers were coming up before the NSC shortly that could be used in this effort (1) the annual review of the ICA that would be presented to the Council in December, and (2) the overall US security program (NSC 5601) which would be ready early in January.

8. The Vice President noted that the Director's briefing was an "eye opener" for him and revealed Soviet political motivation behind this economic activity. He desired that the briefing be repeated for the President at the next NSC meeting.

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